

**TESTIMONY OF
PETER J. BETTS, LFACHE
PRESIDENT AND CHIEF EXECUTIVE OFFICER
JOHNSON MEMORIAL HOSPITAL
SUBMITTED TO THE
APPROPRIATIONS COMMITTEE
Friday, March 4, 2011**

**HB 6380, AN ACT CONCERNING THE BUDGET FOR
THE BIENNIUM ENDING JUNE 30, 2013**

Having emerged from Chapter 11 bankruptcy on October 1, 2010, we certainly understand better than most the challenges of trying to manage an enterprise with severe financial constraints. Organizations do not emerge from bankruptcy with lots of cash and we also have a court-ordered obligation to make payments of \$9.6 million to our creditors over the next 5 years. JMMC, as predicted, will be financially fragile for the next 18 to 24 months but we have every confidence we will prosper in the long term and continue to provide essential healthcare services to our community as we have for the past 98 years. We became alarmed when we realized the proposed budget, with its 5.5% hospital provider tax and a reduction in funding for uncompensated care, will have a negative impact of \$2.3 million on us just as we are trying to get up off our knees.

JMMC provides 1,042 full and part-time jobs and has an approximate \$200 million economic impact on the communities we serve. During the bankruptcy period, payroll and benefits were reduced by \$4.1 million as approximately 140 employees lost their jobs and over 770 creditors have taken financial losses of over \$20 million. The impact on our community and your constituents is great, and we are now looking at doing it again if the budget proposed is implemented. JMMC is now positioned to become a financially stable and contributing member of the business community. We are pursuing the implementation of several new products and services for our community, such as an Infusion Center for cancer patients and a Wound Care Center for those with wounds which will not heal. These initiatives do cost money to develop and implement but, if our resources are depleted by a provider tax and a reduction in reimbursement, they may have to be shelved; thereby, depriving our community of needed health care services and JMMC of needed revenue. JMMC does not have a financial cushion and the \$2.3 million the proposed budget will cost us will result in yet more jobs being lost and the closure of some healthcare services we offer. In fact, this added burden may well drive JMMC back into bankruptcy as it assuredly will result in our defaulting on the covenants contained in the line of credit we had to put into place to emerge from bankruptcy.

In spite of financial difficulties during FY 10, JMMC's community benefit, including programs and activities, charity care and write-offs to the Medicaid program, totaled \$4,289,000, a figure which essentially matches the \$4,079,935 we received in reimbursement for treating 9,888 Medicaid patients. What is being proposed is a 56% (\$2.3 million) reduction in what we received from Medicaid last year. It is society's responsibility to provide essential services to those in need and who do not have the required resources. The proposed budget continues the State's practice of shifting its responsibility to physicians and hospitals

by continually underfunding essential services and by failing to restructure programs which obviously are not working. It was Yogi Berra who once said, "If you keep doing what you you're doing, you'll keep getting what you always got!" Physicians and hospitals have long carried a disproportionate share of the State's responsibility for providing healthcare to those in need. The proposed budget "slashes and burns" those upon whom you depend to provide care rather than addressing and correcting the flaws in the system. The proposed budget simply assures the problems of the past will be continued and multiplied into the future as forcing JMMC into financial failure exacerbates existing economic problems in our community by costing jobs, reducing positive economic impact and making access to healthcare services more difficult. Let's not keep doing what we have always done. Albert Einstein defined insanity as: "doing the same thing over and over again and expecting different results." We already know what the results of the proposed budget will be on our healthcare system.

We support the Connecticut Hospital Association's (CHA) recommendations for turning this budget crisis into an opportunity to modernize Medicaid, which will improve access to care and create a Medicaid system which better focuses on quality and efficiency while reducing the State deficit. The CHA's recommendations include:

- Raise Medicaid physician rates to Medicare levels and allow hospitals to bill for physician services provided which will improve access to physicians and primary care. This can be done at no cost to the State by utilizing federal matching funds and by utilizing some of the present Disproportionate Share Hospital payment funds.
- Align the state's Medicaid program with health reform guidelines by enrolling in private insurance those Medicaid patients with incomes eligible for federal subsidies in the new Health Insurance Exchange for an estimated savings of \$229 million.
- Create an up-to-date Medicaid hospital payment system that focuses on quality, efficiency and safety by converting to a Diagnosis Related Group (DRG) system and abandoning the existing TEFRA system which does not connect payment to specific care provided. This will be at no cost to the state if a portion of the savings noted above and a portion of the Disproportionate Share Hospital funds are utilized..

While some budget cuts may be necessary, they will need to be balanced with reorganization strategies as you cannot cut your way to success.